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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Report of the Secretary-General

I. INTRODUCTION

1. The present report is provided in response to requests of the Fifth Committee following authorizations granted to the Secretary-General for him to enter into commitments in respect of new mandates to be carried out in Haiti, Guatemala, El Salvador and Rwanda. The commitments were as follows:

Thousands of United States dollars a/

Haiti/MICIVIH	1 800.0 <u>b/</u>
Guatemala/MINUGUA	20 967.3
El Salvador/ONUV	1 000.0
Rwanda/Commission of Inquiry	<u>931.8</u>
Total	<u>24 699.1</u>

a/ Net of staff assessment.

b/ Up to 31 May 1996.

In the case of the United Nations International Civilian Mission in Haiti (MICIVIH), the United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala (MINUGUA) and the United Nations Office of Verification (ONUV), the General Assembly resolutions mandating the activities require that they be implemented from within existing resources. In all four cases, the Secretary-General was requested by the Fifth Committee to submit proposals on possible means of absorption of the cost of the new mandates within the 1996-1997 programme budget.



2. These four requests of the Fifth Committee followed written statements by the Secretary-General that costs of the new mandates could not be absorbed and would require funding. ^{1/} The same position had also been stated in more general terms in the report on identification of cost reductions in the amount of \$154 million (A/C.5/50/57). The Advisory Committee on Administrative and Budgetary Questions, in reporting on these new mandates, had also informed the Fifth Committee that it was of the opinion that the Secretary-General could not reasonably be expected to absorb the entire amounts in question.

3. Notwithstanding the above, the Fifth Committee decided, in each case, to request the Secretary-General to submit proposals on possible means of absorption of the cost of the new mandates in the 1996-1997 programme budget. This request should be considered in the context of a potential overall cost of \$120 million (of which \$51 million applies to 1996 and \$69 million to 1997) for approved and prospective new mandates in the 1996-1997 biennium (see annex). Under the circumstances, the Secretary-General has once more examined the possibilities for absorption in an effort to solve the budgetary problem now facing the Organization while still implementing all mandated programmes from within available resources.

II. BACKGROUND

4. Prior to the General Assembly's adoption of resolutions 50/86 B and 50/220 authorizing the extension of the mandates of MICIVIH and MINUGUA respectively, the Secretary-General submitted statements of programme budget implications (A/C.5/50/52 and A/C.5/50/53). In those reports, the attention of the Assembly was drawn to the relevant operative paragraphs of the draft resolutions before it, which would authorize those mandates from "within existing resources". The Secretary-General further recalled resolution 50/214, in which the Assembly decided that mandated programmes and activities must be fully implemented, and resolution 50/215, in which the Assembly mandated the reduction of the 1996-1997 programme budget by \$154 million, including \$50 million as a result of the increase in the vacancy rate. Accordingly, the Assembly was apprised that the mandated reductions made it impossible to absorb additional expenditures without affecting existing mandated programmes and activities.

5. The Secretary-General further stated that, if the General Assembly were to decide that existing programmes should be curtailed, postponed or terminated, it would be possible to implement the mandates from "within existing resources". In the absence of a decision of the Assembly in that regard, additional appropriations of \$24.5 million net would be required for MICIVIH and MINUGUA.

6. By his letter dated 12 March 1996 to the President of the General Assembly (A/50/891), the Secretary-General reaffirmed his position. In the letter from the President of the Assembly to the Chairman of the Fifth Committee (A/C.5/50/56), transmitting the letter of the Secretary-General to him, the President of the Assembly also pointed out that the current budgetary situation described by the Secretary-General did not give him flexibility to implement additional mandates from within existing resources.

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7. The Chairman of the Advisory Committee, at the 48th meeting of the Fifth Committee on 26 March 1996 (A/C.5/50/SR.48), noted that the analysis made by the Secretary-General was entirely consistent with the procedures laid down in General Assembly resolution 41/213; pointed out that in the course of preparing the initial estimates for the programme budget for 1996-1997, the Secretary-General eliminated costs for MICIVIH and MINUGUA on the understanding that, should the mandates for those missions be renewed, the necessary spending authority would be sought; expressed the view that the Secretary-General could not reasonably be expected to absorb the entire amounts in question; and concurred in the statement of the Secretary-General in his letter dated 12 March 1996 to the President of the Assembly (A/50/891).

8. Notwithstanding the above communications, the Fifth Committee decided to inform the General Assembly that, should it adopt draft resolutions A/50/L.67 and Add.1, and A/50/L.68 and Add.1, the Secretary-General would be authorized to enter into commitments not exceeding \$21 million, net of staff assessment, for MINUGUA up to 31 December 1996 and \$1.8 million, net of staff assessment, for MICIVIH for the period from 8 February to 31 May 1996. The Fifth Committee, in its reports contained in documents A/50/913 and A/50/914, reaffirmed the budgetary process adopted in Assembly resolution 41/213 and recalled resolution 50/214, by which the Assembly decided that all mandated programmes and activities should be fully implemented and that changes in those programmes and activities were the prerogative of the Assembly. The Fifth Committee also requested the Secretary-General to present to the Assembly, not later than 15 May 1996, proposals on possible means of absorption in the 1996-1997 programme budget, including part II thereof. The Committee also decided to revert to the issue of appropriations at its May 1996 session in the light of the Secretary-General's proposals.

9. Shortly after the adoption of decisions regarding MICIVIH and MINUGUA, new requirements in respect of El Salvador (\$1.0 million) and the Commission of Inquiry for Rwanda (\$931,800) arose as a result of resolutions of the General Assembly and the Security Council respectively. Given the similarity of circumstances surrounding these cases with those of the MICIVIH and MINUGUA missions, the Fifth Committee followed a similar procedure by granting commitment authority to the Secretary-General and requesting him to make proposals on possible means of absorption of these additional commitments.

III. POSSIBILITIES FOR ABSORPTION

10. As outlined in the report of the Secretary-General on the implementation of the reductions of \$154 million mandated by the General Assembly in its resolution 50/215 on the programme budget for the 1996-1997 biennium (A/C.5/50/57), full identification of the mandated reductions has not yet been achieved. It was possible, however, to inform the Assembly that an overall reduction of approximately \$140 million appeared feasible at that stage "it being understood that new mandates adopted during the biennium would require new funding, or would not be implemented without a commensurate reduction in other mandates".

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11. As soon as the Fifth Committee adopted its decisions requesting the Secretary-General to present a report not later than 15 May 1996, he sought the cooperation of Member States to provide suggestions for the preparation of the report. The decisions of the Fifth Committee reaffirmed that the Secretary-General had no authority to curtail or terminate mandated programmes and activities. Moreover, as the Fifth Committee decisions in respect of MICIVIH and MINUGUA were arrived at after the possibility of requesting the Secretary-General to present proposals for curtailment, postponement and/or termination of existing programmes and activities had been considered in informal consultations, but not retained, he was not in a position to propose reductions in mandated activities.

12. At the request of the Secretary-General, the President of the General Assembly convened two meetings with representatives of Member States to provide, collectively or individually, the Secretary-General with suggestions for any changes in mandated programmes and activities that could release resources for reallocation to support the activities requested from new mandates. Views were expressed, on the one hand, that the Secretary-General had no authority to reduce mandated activities. On the other hand, some suggestions were made as to the possibility for securing reductions in conference-servicing and travel costs, public information, subventions and intergovernmental and Secretariat structures. It was apparent, however, that there was no agreement on the question of additional resources for new activities to be implemented.

13. Statements on the absorption of additional expenditures are made on the basis of a number of implicit, but often unstated, assumptions, which it might be helpful to elucidate at this point so as to avoid misunderstanding. The indication that a particular dollar level of budget funding will accommodate the implementation of a specified set of programmes is based upon three assumptions as to:

- (a) The quantity of real resources required;
- (b) The price of those resources in particular currencies;
- (c) The dollar exchange rate available for purchasing those currencies.

14. The statements made by the Secretary-General to date that no additional mandates can be absorbed have been based upon an assumption that budgeted cost levels and exchange rates will be fulfilled and that the level of real resources (number of posts, vacancy rates, etc.) assumed under the \$2.6 billion appropriation will also evolve as anticipated and that efficiency gains now identified would be applied to achieving the mandated budget reduction of \$154 million. An ex post facto assessment of actual expenditures in dollars will reflect the positive or negative effect of changes in exchange rates, price levels, the quantum of real resources utilized (number of staff, vacancy rates, etc.) and the level of programme mandates implemented. The first and final performance reports of the programme budget serve the purpose of allowing the General Assembly to realign budget appropriations in the light of changing realities.

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15. The differences in the level of expenditures in an international setting may be substantially greater than would occur in a national setting because of the considerable variations that are attributable to currency fluctuations. It was because of such circumstances that the budgetary procedures established by General Assembly resolution 41/213 and elaborated in resolution 42/211 provided that variations (positive or negative) resulting from a change in the exchange rates and inflation would not be covered by the contingency fund. In that resolution, the General Assembly also decided that expenditures arising from the impact of extraordinary expenses, including those relating to the maintenance of peace and security, would be treated outside the contingency fund, so that implementation of political activities mandated by the Assembly and the Security Council were not hampered by the constraints of existing resources. It may be noted that, at this stage, the average for the first four months of the biennium shows no variance between the actual and budgeted exchange rates for the largest currency involved (Swiss franc) vis-à-vis the United States dollar but, as at the current date, that currency has significantly weakened relative to the dollar, a situation which, if it continues during the remaining course of the biennium, would be a positive factor.

IV. CONCLUSION

16. In the light of the above and consistent with the provisions of General Assembly resolution 50/214, which reaffirmed that changes in mandated programmes and activities were the prerogative of the Assembly, the Secretary-General is fully committed to the full implementation of all mandated programmes and activities, as reflected in the programme budget for 1996-1997 approved by the General Assembly, within the appropriation of \$2,608 million.

17. The ability to absorb new programme mandates in 1996-1997 should be considered in the general perspective of the following budget figures. The initial budget proposals of the Secretary-General incorporated a reduction of \$98 million; the subsequent additional reductions mandated by the General Assembly amounted to \$154 million. It is anticipated that new mandates would require an additional \$120 million during the biennium.

18. As reported in document A/C.5/50/57, efforts continue to be made to identify efficiencies that might increase the capacity of the programme budget to improve productivity, but it is unlikely that the efficiency reviews to be concluded by the fifty-first session of the General Assembly would yield savings in excess of the total required reduction of \$154 million; it is anticipated rather that those efficiency savings would mitigate the impact on activities and services. In addition, it must be noted that the identification of additional efficiencies and reductions in mandated programmes agreed upon by Member States may not have the same effect as the immediate realization of reductions in the programme budget for 1996-1997. For instance, a more efficient method of working, or the elimination by Member States of a mandated programme, may theoretically save a post in 1997, but reducing payroll costs of that post requires vacating that post, and separation costs associated therewith would exceed the 1997 costs of the post being saved. Under the circumstances, the feasibility of turning efficiencies or reductions by Member States of programme mandates into immediate budget savings is more limited. New efficiency studies

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under way may lead to potential reductions in areas other than posts. It is, however, too early to identify potential benefits resulting from these studies.

19. Member States may, therefore, wish to reflect on whether it is feasible for the Secretary-General to meet both the objectives of (a) delivering all mandated programmes and (b) containing expenditure levels "within existing resources". It is reiterated that new mandates could be implemented within the existing budget appropriation only if the Assembly were to decide which existing programmes should be terminated or eliminated from the regular budget.

20. The Secretary-General therefore anticipates that the first performance report to be submitted to the General Assembly at its fifty-first session, in accordance with the established budgetary timetable, would reflect expenditures deriving from the relevant commitment authorities estimated at \$51 million in 1996 and take into account all other relevant factors.

Notes

1/ A/50/861, para. 43; A/50/861/Add.1, para. 4; A/C.5/50/52, para. 12; A/C.5/50/53, para. 8; A/50/881, para. 12; A/50/891; A/C.5/50/59; and A/C.5/50/60.

ESTIMATED ADDITIONAL REQUIREMENTS FOR THE 1996-1997 BIENNIIUM

(In thousands of United States dollars)

	1996 a/	1997 a/	Total a/	1996 document reference	1996 commitment authorized to date	1996 staff assessment to date
PEACE AND SECURITY: 41/213, annex 1, para. 11						
MICIVIH (up to 31 August 1996)	3 400	5 900	9 300	A/C.5/50/52	1 800.0	200.0 up to 31 May 1996
(1 September to 31 December 1996)	1 600		1 600			
MIRUGUA (through 31 December 1996)	21 100	28 100	49 200	A/C.5/50/53	20 967.3	1 737.5
Political presence in El Salvador	1 100	1 200	2 300	A/C.5/50/59	1 000.0	135.9
International Commission of Inquiry in Rwanda	1 000	2 300	3 300	A/C.5/50/60	931.8	67.0
International Commission of Inquiry in Burundi	4 900	5 200	10 100			
Situation in Afghanistan		2 800	2 800			
Situation in Burundi		2 000	2 000			
Central American peace process		400	400			
United Nations political presence in Rwanda	6 100	6 300	12 400			
Related staff assessment	3 900	4 600	8 500			
	43 100	58 800	101 900		24 699.1	2 140.4
Unforeseen and extraordinary expenditures resolution 50/217:						
Peace and security	5 000	5 000	10 000			
International Court of Justice	100	100	200			
Subtotal	48 200	63 900	112 100		24 699.1	2 140.4
CONTINGENCY FUND						
International Seabed Authority		1 600 b/	1 600			
Servicing of the United Nations Framework Convention on Climate Change	2 500	3 100	5 600	A/C.5/50/58		
Revised estimates (ECOSOC):						
Commission on Narcotic Drugs	300	200	500			
Commission on Sustainable Development (Panel on Forests)		100	100			
Related staff assessment		100	100			
Subtotal	2 800	5 100	7 900			
Grand total	51 000	69 000	120 000		24 699.1	2 140.4

a/ Estimates are rounded to the nearest hundred thousand.

b/ May be absorbed as offset against section 31 project deferrals to be identified in addition to those incorporated in A/C.5/50/57 proposals (see General Assembly resolution 214, sect. III, para. 72).